

Moody's Global Rating Comments

Ramirez & Company would like to offer the following comments regarding the assignment of Global Ratings to Tax Exempt Municipal Obligations:

1. We are in favor of one global system that includes both municipal and corporate obligations. It is our opinion that the tax status of an obligation is *not* a credit factor so there would be no need to refer to municipals as tax exempt. The investment community would be served in a better way if all rating agencies had one credit rating system, eliminating the need for a distinct and separate municipal rating and the need for a conversion table.
2. While using rating agency evaluations as a guideline, most investors, predominately large institutions and funds, do their own analysis to arrive at credit strengths and weaknesses as well as suitability for portfolio investment. Therefore, enhancing rating categories such as the Triple-A category with more grading brackets would not cause any confusion in the bond market.
3. An expansion of the Triple-A category would presumably result in more municipal credits falling into that category. More short term obligations whether issued by corporations or municipalities, would qualify for investment under Rule 2a7 without credit enhancement. This would immediately assist liquidity in the short term and cash equivalent markets.
4. A one rating system would establish a level playing field and allow municipal securities a better credit evaluation when compared to corporate securities. While both sectors face political as well as event risk, risks encountered by governmental issuers are no more onerous than those faced by corporate issuers. One factor that affects corporate securities and not municipal securities is event risk i.e. a Aaa municipality is not in danger of being acquired by a Baa3 municipality as is common in the corporate arena.